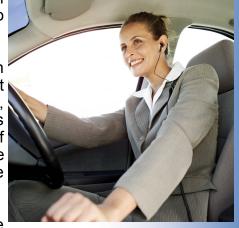
## WHEN IS AN EXPENSE NOT AN EXPENSE?

(answer: when it is disallowed and may cost penalties and interest)

As the P11D season reaches its peak it is worth reminding ourselves about expenses repaid to employees and directors generally.

For an employee or director to receive a tax deduction or reimbursement of an expense paid personally, it must be proven to have been incurred wholly, exclusively, and necessarily in the performance of their duties. This is tougher than the requirement for the business of 'wholly and exclusively' and HMRC will ask if the employee could do the job without incurring the expense.



Travel expenses are the most common problem, and we

have a 3 or 4 page guide available if you'd like a copy. If you are claiming mileage, you need to keep a detailed log, and here again we can supply the form. If you claim without the evidence, including odometer readings, customer details, etc., then this is little different from falsifying an invoice; taking the money now and claiming afterwards with a back-dated document is unlawful. HMRC use mileage apps and borrow your own calendar/diary when they check this stuff.



Training costs are another perennial problem; Courses to develop and/or maintain existing skills are OK, but new skills are not.

Payment of personal expenses by an employer give payroll issues and should be avoided, and use of personal credit cards as opposed to cards in the company name means that when the company pays you back or settles the account you are receiving a benefit in kind subject to PAYE and class 1 NIC. You can of course claim the expense, at least tax wise, on your income tax return if you enjoy the complications, but you can see why we recommend having a "dispensation" to cover reimbursements of this sort (if you don't have one, call us and we'll organise one for you).

While no director or employee should subsidise their company, company expenses are best paid for by the company. The firm's bank account is NOT a "Director Piggy Bank" and it is potentially expensive to treat it this way. We always try to offer a positive response and to keep clients out of trouble, so if in doubt, please do ask us!



